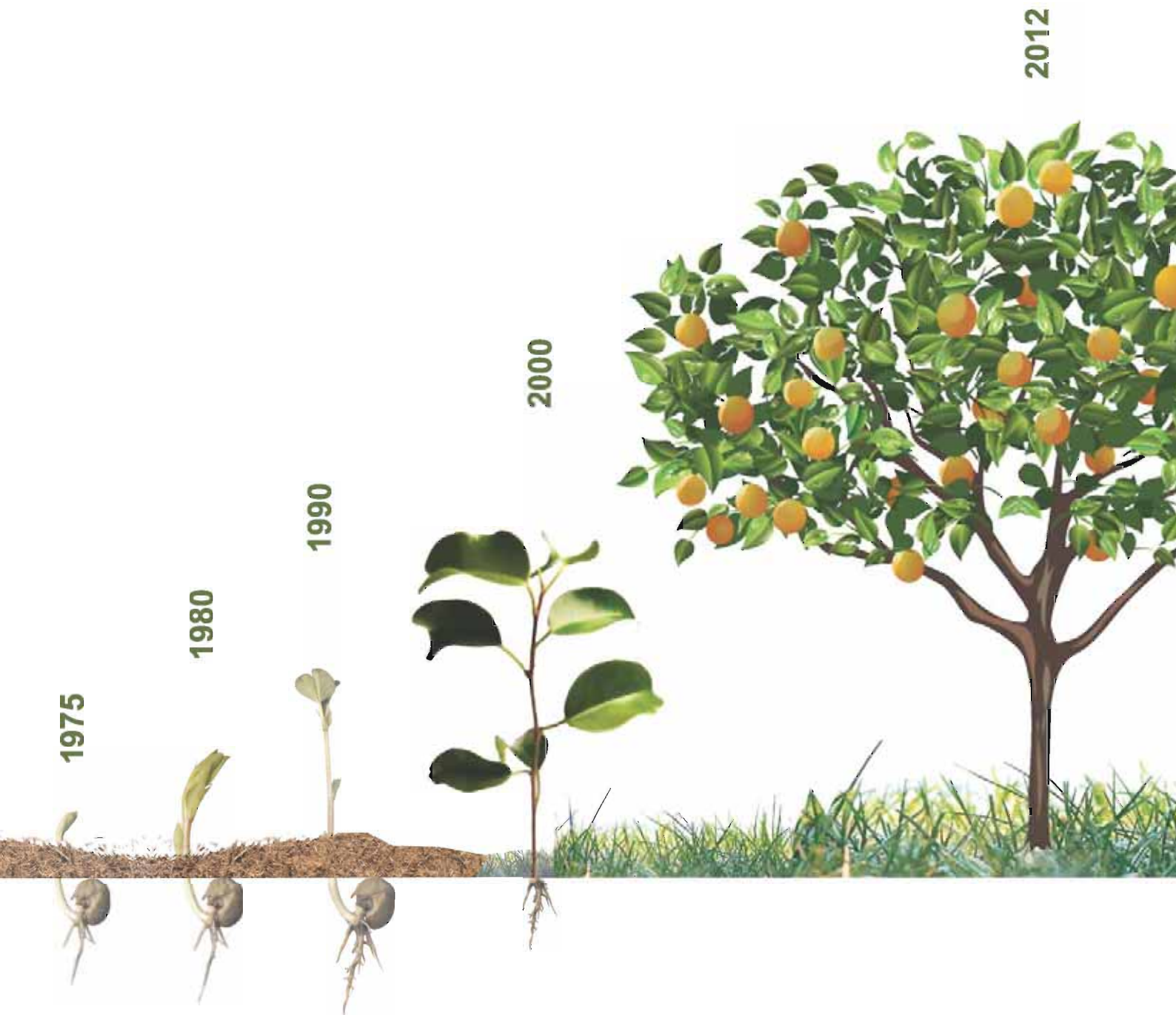




Chembond Chemicals Limited

37th Annual Report 2011-12



Board of Directors

Dr. Vinod D. Shah

Executive Chairman

Sameer V. Shah

Vice Chairman & Managing Director

Nirmal V. Shah

Managing Director

Ashwin R. Nagarwadia

Perviz H. Dastur

Jayantilal S. Vasani

Jawahar I. Mehta

Mahendra K. Ghelani

O. P. Malhotra

Sushil U. Lakhani

Group Key Executives

Abhijit Giri	DGM Flooring, Coatings
Akshay Shah	CEO, Water Equipments
Amit Charate	Plant Manager, Sitarganj
Anil Pillai	Sr. Manager, Enviro Tech
Bhadresh D. Shah	GM Commercial
Deepak Kanitkar	DGM Tech. & Bus. Development, Construction Chemicals
Deepak M. Wadekar	Sr. Manager, SHEQ
Devkinand Sharma	Plant Manager, Baddi
Dhananjay Yerawadekar	Head- Administration
Janak Bhatt	Plant Manager, Dudhwada
Jinesh Maniar	Finance Controller
Mahesh Kulkarni	GM Industrial, Coatings
Mangesh Patil	DGM, Construction Chemicals
Manoj Mishra	National Sales Manager, Construction Chemicals
M. P. Nagarkar	GM Projects
N. A. Patil	GM Corporate Sales, Water Equipments
N. C. Padia	Sr. GM Operations, Water Technologies
Naresh Adivarekar	GM Surface Technologies
P. Basavaiah	Finance Controller, Water Technologies
Dr. Ramdas Kambale	Head, Animal Health
Rashmi Gavli	Business Controller
Ravikumar Mutaka	DGM Operations
Ravindra Pandit	Head Human Resources
Santosh Singh	Sr. Manager Sales, Textile Enzymes
Sanjay R. Naik	DGM Structural, Coatings
Sharad Mahadik	Technical Director, Water Technologies
Subhash Kolhe	Vice President, Surface Technologies
Vasant Kelkar	GM HP, Coatings
Vinod Deshpande	COO, Water Technologies

Auditors

Kasturi & Talati
Chartered Accountants, Mumbai

Bankers

HDFC Bank Limited
Bank of India
Kotak Mahindra Bank

Company Secretary

Omkar Mhamunkar

Whole Time Practicing

Company Secretary

Virendra Bhatt

Plants

Thane, Maharashtra
Nalagarh, Himachal Pradesh
Balasore, Orissa
Chennai, Tamilnadu
Vadodara, Gujarat

Registered Office Address:

Chembond Centre,
EL-71, Mahape MIDC,
Navi Mumbai – 400 710.
Tel. : (+91 22) 3921 3000
Fax : (+91 22) 2768 1294

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CHAIRMAN'S MESSAGE

My Dear Shareholders,

This is the 37th annual report of your Company. In this report I want to share my views on some of the important milestones in the history of your Company.

Your Company is enjoying the backing of many of shareholders who subscribed to the initial public offer in the year 1995 and have remained steadfast with us. This gives me a sense of familiarity and confidence that I can share my views at personal level.

This year, I have crossed 80 years of my life. It was in the year 1973 at the age of 43 that I had given up a lucrative job with a multinational company to embark upon some of the dreams I had nurtured when I had returned to India from USA in 1965. It meant that I was to traverse into the 'Uncharted' future. My main assets were sound chemical engineering education, professional working experience in USA and India and an innate conviction and strong belief in myself to put up with all kinds of impediments to steer clear into success. My wife Padma not only endorsed the decisions but stood by me at every crossroad. Chembond thus came into being.

At this time after so many years, when I look back, I feel satisfied that I have fulfilled my mission. During my journey from 1973 and now, I received immense support from many individuals and I would like to share some of those here.

Firstly my elder brother late Chinubhai played an anchor role during the initial tough period of partnership days. I wholeheartedly offer my tributes to him.

In 1975 the Company was converted into a Private Limited company and Ashwin Nagarwadia and Perviz Dastur were inducted as promoter directors. Both of them had steered Ingersoll Rand from a relatively obscure company to one of the top-notch companies in India. Their rich experience and guidance has been of immense value to your Company. I take this opportunity to acknowledge their support.

Your Company has been singularly fortunate in having a team of many dedicated staff who joined at the very initial stages and remained steadfast to this date. They have worked very hard and brought about a steady transformation of the Company. Technology has been the backbone of the Company and that is where this team played a significant role. I would like to single out Subhash Kolhe, Naresh Padia, and Sharad Mahadik as the early crusaders who have become instrumental in giving a wide exposure to your Company. Bhadrash Shah, my younger brother, has supported as a 'do all' person. He joined after graduation in 1975, is now General Manager, and has become a 'trouble shooter' in many situations at the manufacturing plants and locations of your Company.

I am also proud of the workmen at the Tarapur manufacturing plant who joined at the initial stages and have continued to work with zeal and enthusiasm to this date. I wish to single out our very first employee, Ashok, who joined the Company as a "one man" manufacturing team at our Lower Parel manufacturing premises.

Our marketing agencies in Delhi and Pune represented by R K Gupta and Girish Shah respectively have been associated with Chembond right from the 'incubation' times. I recall several visits to Delhi and Pune during 70s to 90s in the company of above two gentlemen and enjoyed not only the exploration of business but also personal relationships. I appreciate their support because they had chosen to stake their future in Chembond and have stood by the Company through 'thick and thin'.

It was extremely fortuitous for me personally and for the Company that Nirmal Shah, my younger son joined the Company at a very early age after completing his college education and Sameer Shah, my elder son, returned from USA after 12 years of education and work to join the Company in 1992. In retrospect, these were the most valuable milestones in the history of the Company. It is to their credit that the Company became public in 1996. It is also to their credit that the Corporate premises were built on our own land at Mahape. Both of these decisions have had far-reaching effects and have resulted into the accelerated growth of your Company. Both of them continue to steer your Company to greater heights.

Making the Company public brought in eminent persons, leaders in their own respective professions, within the folds of Chembond's Board. Thus, Mahendra Ghelani, Jayant Vasani, Dr. Rajni Shah, V Ramachary, joined your Company's board. Over a period of time other equally prominent people replaced those who retired. Thus came O P Malhotra, Jawahar Mehta, and Sushil Lakhani. I am particularly thankful to all of them for guiding the Company in a spirit of companionship.

Mr. V. N. Kastury, Mr. Virendra Bhatt, and Mr. Dhiren Talati stand out as our long standing companions on accounting practices, company law and secretarial matters. I am particularly thankful to Bhatt Saheb for his unstinted support on all important secretarial matters.

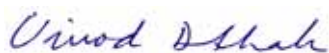
Coming to the present scenario, we all know very well that there are global crises of all sorts. The Indian economy is intimately connected to the global network because of dollar/rupee exchange rate, crude oil prices, and foreign direct investments. Added to the global problems is the morbid political situation and poor overall sentiment amongst people. As a result, there has been a setback in the growth and profits. However, your Company has taken adequate precautions and entered into many new manufacturing activities that will buffer adverse situations.

Therefore, as we look forward, I am convinced that the real growth process has just begun. Your Company is making aggressive investments in men and material in the new divisions of Animal Health products, Enzymes, Clean Environment Technology, Coatings and Construction Chemicals. As I stated in my last year's message, we have initiated steps for the establishment of a R & D Centre at Mahape. Our recent JV, H₂O Innovation is getting firmly established and poised for accelerated growth in times ahead.

I am overwhelmed with feelings of utmost fulfillment and satisfaction and it is therefore in fitness of things that I step down from the Executive Chairmanship of your Company and pass on the baton to the younger generation.

I earnestly thank you for giving me your support for all these years.

Best Wishes



Dr. Vinod D. Shah
Executive Chairman



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY SEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF CHEMBOND CHEMICALS LIMITED WILL BE HELD AT EL-37, MAHAPE, MIDC, NAVI MUMBAI 400 710, ON SATURDAY, THE 8TH SEPTEMBER, 2012 AT 03.00 P.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2012 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Mahendra K. Ghelani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashwin R. Nagarwadia, who retires by rotation and being eligible, offers him for re-appointment.
5. To appoint M/s. Kastury & Talati, statutory auditors to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution :
"RESOLVED THAT pursuant to the provisions of Section 314 of the Companies Act, 1956 including any other applicable provisions, if any, the Company hereby approves a retirement plan for Dr. Vinod D. Shah, the retiring Executive Chairman and Founding Promoter of the Company at his last drawn salary w.e.f. 9th September, 2012 for a period of five years"
"RESOLVED FURTHER THAT the Board of Directors of the Company on recommendation of Remuneration Committee be and is hereby empowered to sanction periodical increment as it may consider fit subject to approval of Central Government or any other statutory authority, if required"

By Order of the Board of Directors
Of **Chembond Chemicals Limited**

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 28th July, 2012

REGISTERED OFFICE:

Chembond Centre,
EL-71, MIDC, Mahape,
Navi Mumbai- 400 710

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIM SELF AND THE PROXY NEED NOT BE A MEMBER.**
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. The register of members and the share transfer books of the company will remain closed from 24th August, 2012 to 8th September, 2012 (both days inclusive) in connection with the Annual General Meeting.
4. The Directors have recommended dividend of ₹ 2.35/- per Equity Share, which on approval by the members at the Annual General Meeting will be paid to the members whose names appear in the Company's Register of Members of the Company in case of Physical Shares, as at the close of business hours on 8th September, 2012 and in respect of Shares held in Dematerialized in the depository system, to the beneficial owners of shares as on 23rd August, 2012 as per details furnished National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.
5. Members are aware that as per the Finance Act, 2003 no tax will be deducted at source on the dividend payable to the shareholders

6. Consequent upon the amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education and Protection Fund, and hence all unclaimed dividend for the financial year 2003-04 have been transferred to the Investor Education and Protection Fund. The details of remaining unpaid or unclaimed dividend for the subsequent years as of 31st March 2012 are as under

Date of Declaration	Amount (₹)	Due Date
12/08/05	30,812.40	11/08/2012
29/07/06	54,086.50	28/07/2013
18/08/07	35,197.50	17/08/2014
13/09/08	45,346.00	12/09/2015
22/08/09	35,273.00	21/09/2016
18/09/10	48,046.25	17/09/2017
10/09/11	62,240.35	09/09/2018

7. The Ministry of Corporate Affairs vide their Letter no. 5/12/2007-CL-III dated 8th February, 2011 has granted a general exemption under Section 212(8) of the Companies Act, 1956 for publication of the Accounts of subsidiary companies, subject to fulfillment of certain conditions. In view of the same, your company is also exempted from publication of the accounts of its subsidiaries under the provisions of Section 212 of the Companies Act, 1956. These documents will be submitted on request to any member wishing to have a copy on receipt of such request by the Company at the Registered Office of the Company. These documents will also be available for inspection by any Member of the Company at the Registered Office of the Company and the Registered Offices of the respective subsidiary company during working hour up to the date of the Annual General Meeting.
8. Members are requested to inform the Company about any change in their addresses, if any, immediately so as to enable the Company to dispatch dividend warrants and any further communication at their correct address. This information may be provided to – TSR DARASHAW LIMITED (Formerly Tata Share Registry Limited) 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011.
9. As per the Listing Agreement, particulars of Directors who are proposed to be re-appointed is furnished below –
- I Name : Mr. Mahendra K. Ghelani
Age : 67 years
Qualification : Advocate Solicitor and Notary
Mr. Mahendra Ghelani is also on the Board of following Companies:
1) Protochem Industries Private Limited
2) Variety Investments Private Limited
- II Name : Mr. Ashwin R. Nagarwadia
Age : 75 years
Qualification : B.E. Mechanical
Mr. Ashwin R. Nagarwadia is also on the Board of following Companies:
1) Finor Piplaj Chemicals Limited
2) Henkel Chembond Surface Technologies Limited
3) CCL Optoelectronics Private Limited
4) Hitech Plast Limited
5) Equipment & Spares Engineering (India) Private Limited
6) H₂O Innovation (India) Limited
10. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further instructions if any already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may therefore give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM No. 6

Dr. Vinod D. Shah is the Founding Promoter of Chembond Chemicals Limited (the Company) and is currently its Executive Chairman.

After dedicating over 35 years in the Company on a full time basis, Dr. Vinod D. Shah has expressed his intention to retire from the Chairmanship as well as the Board with effect from the ensuing Annual General Meeting.

Dr. Vinod D. Shah is a Chemical Engineer who achieved his Bachelors in Chemical Engineering from UDCT, Masters in Chemical Engineering from University of Michigan, and Doctorate from Wayne State University, USA. During his doctoral work he worked with Parker Rust-Proof Company and Gage Products and after his return to India, with Union Carbide where he setup the country's first electrolytic manganese dioxide plant. It is due to his core expertise and rich experience that the Company has developed the wide range of products and applications and maintained its leading position in the market.

During his leadership, the Company attained several milestones - its first manufacturing facility at Tarapur in 1979, introduction of the water treatment chemicals in 1982, the IPO in 1995, the joint venture with Henkel in 1996, the new Mahape headquarters in 1997, the acquisition of Kansai Nerolac's water treatment business and concurrent joint venture with Ashland in 2001, and the recent joint venture with H₂O Innovation for water treatment. The forays into construction chemicals, high performance coatings, industrial biotechnology, bioremediation have been ideated and incubated by Dr. Shah.

The Company today is truly nationwide, with five manufacturing locations – at Maharashtra, Himachal Pradesh, Gujarat, Orissa, and Tamil Nadu – and operates three subsidiaries ie, Chembond Ashland Water Technologies Limited, Protochem Industries Private Limited, and H₂O Innovation India Limited.

Irrespective of his formal retirement from the Board of the Company, Dr. Shah will be involved in the Research and Development (R&D) activities of the company and will be available as a guide and mentor to the Board for strategic decisions.

Considering his unmatched contribution of nearly four decades, the vision he has executed and laid out for the future of the Company, the Board of Directors is honoured with Dr. Shah accepting the title of "Chairman Emeritus."

Your Directors recommend adoption of the resolution as set out in item No. 6 of the accompanying Notice as a Special Resolution.

Except Sameer V. Shah, and Nirmal V. Shah, and Dr. Vinod D. Shah himself, no other Director is concerned or interested in the said resolution.

By Order of the Board of Directors
of **Chembond Chemicals Limited**

Dr. Vinod D. Shah
Executive Chairman

Mumbai, 28th July, 2012

REGISTERED OFFICE:

Chembond Centre,
EL-71, MIDC, Mahape,
Navi Mumbai - 400 710

--ERRATA--

The members hereby informed that in connection with the issue and allotment of 3,00,000 Convertible Warrants on preferential basis wherein the relevant date in the Notice of Postal ballot was mentioned as 20th February, 2012 (which falls on public holiday) and should have been 17th February, 2012 by considering the public holidays on 18th and 19th February, 2012, as per the ICDR Regulation including any amendments thereto. The Bombay Stock Exchange has granted the approval on the condition that the said error shall be brought to the notice of members and the said errata is issued accordingly.

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the 37th Annual Report on the business and operations of your Company together with Audited Financial Statements for the year ended 31st March, 2012.

FINANCIAL RESULTS:

	2011-12 (₹ In lakhs)	2010 – 11 (₹ In lakhs)
Turnover of Sales	16,881.16	14,679.35
Less: Excise Duty	1,683.95	1,454.88
Net Sales	15,197.21	13,224.47
Profit Before Tax	801.05	817.88
(Less): Deferred Tax	(32.82)	(25.71)
Less: Provision for Taxation	(103.98)	(144.80)
Profit after Tax	664.25	645.48
Add: Balance as per last year	2,314.31	1,872.59
Add : Transfer from Revaluation Reserve	1.89	1.89
Total	2,980.45	2,519.97
Appropriation		
General Reserves	70.00	65.00
Set off of Dividend Tax in respect of dividend from Subsidiary Company.	(22.18)	(18.27)
Proposed Dividend	149.47	136.75
Tax on Proposed Dividend	Nil	22.18
Dividend on Shares issued on Amalgamation	-	-
Balance carried to Balance Sheet	2,783.16	2,314.30
Total	2,980.45	2,519.90

PERFORMANCE REVIEW

Your Company has recorded an increase in Sales of 14.92% with an increase in profit after tax (PAT) by 2.91%. The Earning per Share (EPS) increased to ₹ 10.44 as at 31st March, 2012 from ₹ 10.15 at the end of the previous fiscal year. A separate section on Management Discussion and Analysis follows in this annual report where in the Company Performance, Industry Environment, Economy, and the other aspects of your company's business are highlighted.

DIVIDEND

The Board of Directors recommends a dividend of ₹ 2.35 per Equity Share (Previous year ₹ 2.15) for the financial year ended 31st March, 2012. The total outflow on account of dividend amount to ₹ 149.47 Lakhs. The Company has also transferred the amount of ₹ 70 Lakhs (Previous year ₹ 65 Lakhs) from its current years profit to General Reserves.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (SHEQ)

Your Company follows an integrated SHE-Q Management System under which, the Tarapur plants are ISO 9001, ISO 14001, OHSAS 18001 and ISO/TS 16949 certified. The corporate office and the Baddi and Dudhwada plants are ISO 9001 certified and the Company is in process to obtain ISO 14001 and OHSAS 18001 for its Baddi and Dudhwada Plant.

DEPOSITS

The Company has accepted deposits from the public as per the Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. There were no dues and unclaimed deposits during the year under review.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Mahendra K. Ghelani and Mr. Ashwin R. Nagarwadia, Directors of the Company, are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs vide their Letter no. 5/12/2007-CL-III dated 8th February, 2011 has granted a general exemption under Section 212(8) of the Companies Act, 1956 for publication of the Accounts of subsidiary companies, subject to fulfillment of certain conditions. In view of the same, your company is also exempted from publication of the accounts of its subsidiaries under the provisions of Section 212 of the Companies Act, 1956. The Annual Accounts of the Subsidiary Companies and related detailed information will be made available to shareholder seeking such information at any point of time and the Annual Accounts of the Subsidiary Companies will be available for inspection at the registered



office of the Company. The statement as required under Section 212(1)(e) of the Companies Act, 1956 and the statement containing the details of the Subsidiary Companies as required to be given as per the above exemption letter are enclosed herewith and forms part of this annual report.

Further, as stipulated by Clause 32 of the Listing Agreement and as per the conditions stated in the above letter, the Company, in accordance with the requirements of Accounting Standard 21 and Accounting Standard 27 on consolidated Financial Statements read with Accounting Standard 23 on Accounting for Investments in Associates, has prepared the Consolidated Financial Statements for the year ended 31st March, 2012 and the same is attached to this Annual Report.

AUDITORS

The Statutory Auditors of your Company M/s. Kastury & Talati, Chartered Accountants, Mumbai who were appointed as Auditors to hold office until the conclusion of the ensuing Annual General Meeting are eligible for re-appointment. The Company has received the Certificate from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

DISCLOSURE UNDER SECTION 274(1) (g)

None of the Directors of the company are disqualified for being appointed as Directors as specified under Section 274(1)(g) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000.

CODE OF CONDUCT

The Company has introduced the Code of Conduct as per revised clause 49 of the Listing Agreement applicable to all the Directors and Senior Management of the Company. Pursuant to said regulation, the Company has received a confirmation from all the Directors and Senior Management of the Company about the compliance of the said code of conduct during the financial year ended 31st March, 2012.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is attached as a part of the Annual Report along with the Auditor's Statement on its compliance.

CORPORATE SOCIAL RESPONSIBILITY

Your Company continued its CSR initiatives. Please refer to the Report on Corporate social Responsibility for more information on these activities.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors give hereunder Director's Responsibility Statement pertaining to the accounts of the Company

- i) that in preparation of the Annual Accounts for the year ended 31st March, 2012, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii) that the directors had selected such accounting policies and applied consistently and made judgments and estimates that were reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2012 and the profit of the Company for the year under review;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the annual accounts for the year ended 31st March, 2012 have been prepared on a 'going concern basis'.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO

The prescribed particulars Under Section 217(1) (e) of the Companies Act, 1956 relating to Conservation of Energy, Technology Absorption and Foreign Exchange and outgo are furnished in Annexure to this Report.

PARTICULARS OF EMPLOYEES

None of the employees is covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENTS

Your Board takes this opportunity to thank the customers, vendors, shareholders and bankers for the faith reposed in the Company. Your directors also place on record their sincere appreciation of the contribution of its employees for their competence, hard work and cooperation.

For and on behalf of the Board of Directors
of **Chembond Chemicals Limited**

Dr. Vinod D. Shah
Executive Chairman
Place: Mumbai
Date: 28th July, 2012